



June Inflation: State Focus

Borno State Remains Inflation Pressure Zone

Highlights

- For the third consecutive month, Nigeria's inflation dropped to 22.22% in June 2025 from 22.97% in May 2025. The base year effect and stable exchange rate sustained the downward trend.
- Increased insecurity in food producing states and seasonal scarcity sustained food prices upward in June 2025 as Food inflation climbed to 21.97% from 21.14% in May 2025. Also, on a monthly basis, Food inflation increased to 3.25% in June from 2.19% in May 2025.
- Nigeria's inflation has decelerated by over 200bps so far in 2025. If this trend persists, we expect inflation to settle at around 19%, below CBN's 21% targets but still above the 15% budget benchmark.

↓ **22.22%** Headline Inflation Rate (June 2025)
MoM: +1.68%

↓ **22.76%** Core Inflation Rate (June 2025)
MoM: +2.46%

↓ **21.97%** Food Inflation Rate (June 2025)
MoM: +3.25%

↓ **20.85%** Rural Inflation Rate (June 2025)
MoM: +0.63%

↓ **22.72%** Urban Inflation Rate (June 2025)
MoM: +2.11%

CPI Trend (%)

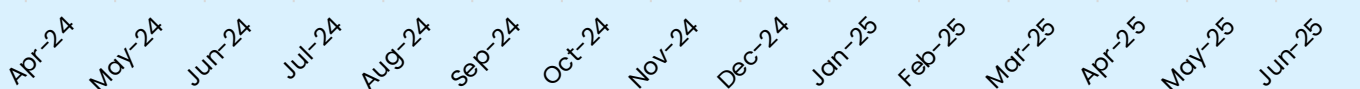
Pre-rebasing

33.69% 33.95% 34.19% 33.40% 32.15% 32.70% 33.88% 34.60% 34.80%

CPI Trend

Post-rebasing

24.48% 23.18% 24.23% 23.71% 22.97% 22.22%



Source: Team Analysis, CBN, NBS

Date: 18/07/2025

► Ademidun Shogo
Research Analyst

► Awele Itegebe
Research Analyst

► Emeka Ucheaga, PhD
Head, Research



@CreditdirectLtd

48/50 Isaac John Street, GRA Ikeja Lagos, Nigeria
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June Inflation: State Focus

Kastina Records Cheapest Food at 6.21% Food Inflation

HIGHLIGHTS


- Food inflation increased across the southern region, with the Southeast recording the highest at 26.56%. However, All item inflation declined across all regions except for Southeast.
- For the second consecutive month, Borno state remained the state with the highest All Item and Food inflation. However, the price level increased at a slower pace of 31.63% and 47.40% for all item and Food inflation in June compared to 38.93% and 64.36% in May 2025.
- On a yearly basis, Kastina and Zamfara emerged as the states with the lowest Food and All item inflation in June, respectively while Plateau and Bayelsa had the least All item and Food inflation on a monthly basis.

**Zamfara**
9.90%
MoM: Plateau -4.01%

Lowest All Item Inflation Rate by State (June 2025)

**Kastina**
6.21%
MoM: Bayelsa -6.34%

Lowest Food Inflation Rate by State (June 2025)

**Borno**
31.63%
MoM: Ekiti 5.39%

Highest All Item Inflation Rate by State (June 2025)

**Borno**
47.40%
MoM: Enugu 11.90%

Highest Food Inflation Rate by State (June 2025)

INFLATION BY REGION	FOOD	ALL ITEMS
South West	23.83%	21.88%
South East	26.56%	24.30%
South South	23.50%	21.54%
North West	16.99%	18.81%
North East	24.48%	20.90%
North Central	21.50%	23.82%

Source: Team Analysis, CBN, NBS.



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Commentary

The reason behind Nigeria's disinflation in the past six months is not farfetched. The statistical rebasing has largely sponsored the decline while the exchange rate stability and lower energy costs became additional stimulants. In H1 2025, Nigeria's headline inflation moderated four times, a significant improvement from a five months consistent increase between August and December 2024.

In June 2025, the headline inflation eased by 75bps to 22.22% from 22.97% in May 2025, aligning with our earlier projection. However, on a monthly basis, headline inflation showed a mild uptick, increasing by 15bps to 1.68% in June from 1.53% in May 2025. This indicate price increased at a higher pace in June compared to the previous month, possibly driven by higher PMS pump price in mid-June and food supply disruptions due to insecurity and flooding incidence in food producing states.

The Iran-Isreal conflict escalation on June 12 drove global oil prices above US\$75/barrel, which prompted local refineries like Dangote and others to increase Ex depot PMS price to around N840-850/litre from N820-826/litre. This adjustment transmitted to higher logistics and transport costs. However, the exchange rate appreciation at the official window in June to an average to N1,549.80/US\$ from N1,595.20/US\$ in May 2025 slightly cushioned the high energy cost and climate-related pressures. If the increase in global oil prices occurred alongside a stronger dollar, the resulting rise in input costs would have limited Dangote's capacity to reduce the PMS ex-depot price.

For sub nationals, inflation retained the wide variation with 10 states recording Food inflation above 25%, 8 states had below 20%, and the remaining 18 states fell between 20%-24% on a year-on-year basis.

This means that more than two-third of Nigerian states experience Food inflation above 20%, highlighting the severe food insecurity. Headline inflation showed lesser pressure with only 4 states above 25%, 8 below 20% and the remaining between 20% and 24%. Borno state retained its spot as the state with the highest Food and All item inflation but at a slower pace of 47.4% and 31.6% on a yearly basis (compared to 64.36% and 38.93% in May 2025). On the other hand, Zamfara and Kastina had the lowest year-on-year headline and Food inflation at 6.21% and 9.90% respectively.

On month-on-month basis, Inflation remained sticky across most states in June. Only 8 states saw a drop in Food inflation, down from 10 in May, while just 11 states recorded lower headline inflation, compared to 12 in May.

Looking forward, Nigeria's disinflation trend will likely persist in July 2025, benefiting from the exchange rate stability, accruing reserves, lower ex depot PMS price (N820/litre announced by Dangote on July 9) and elevated bonny light price (hovering above US\$75/barrel). However, the recent volatile global oil price due to Trump's 50-days ultimatum and other sanctions on Russian oil, creates uncertainty about future oil prices. Also, the persistence of insecurity in critical food-producing belts such as Benue, Plateau, Borno and parts of the North-East are key threats that can slow down the pace of inflation moderation.

Based on the aforementioned risks, we expect the MPC committee to retain MPR at 27.5%, Asymmetric corridor at +500/100, and Cash Reserve Ratio at 50% at the scheduled meeting on July 23, 2025. In addition, the CBN commitment to boost FX inflows and support exchange rate stability further support the case for a prolonged hold stance.

Source: Team Analysis, CBN, NBS.

Date: 18/07/2025





July Inflation Outlook

Headwinds

- Volatile Global Oil prices
- Low Risk of PMS pump price uptick
- Heightened terrorist attacks in food producing states
- Flood risk alert in 20 states

Tailwinds

- Higher FX earnings and lower budget deficit
- Increasing external reserves
- Exchange rate stability
- Declining NTB and OMO yields lowers fiscal borrowing costs

Given the above milder headwinds and pronounced tailwinds, we expect inflation moderation to persist in July. Headline inflation could likely decline by 75bps to 100bps in July, higher than the moderation in June. Food inflation may still see an uptick between 25bps and 50bps.

Source: Team Analysis, CBN, NBS.

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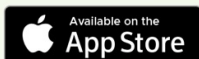


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